

**Before the
Public Service Commission of South Carolina**

Docket No. 2011-4-G

**Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies
of
Piedmont Natural Gas Company, Inc.**

**Testimony and Exhibits
of
Robert L. Thornton**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**



June 10, 2011

1 **Q. Please state your name and business address.**

2 A. My name is Robert L. Thornton. My business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina.

4 **Q. What is your position and what are your responsibilities with Piedmont**
5 **Natural Gas Company ("Piedmont")?**

6 A. I am employed as Director of Gas and Regulatory Accounting.

7 **Q. Please briefly describe your education and experience.**

8 A. I received a B.S. degree from The College of Charleston in 1984. In 1985, I
9 was employed by Duke Power Company as a staff accountant. In 1990 I was
10 employed by Ingersoll-Dresser Pump Company as Controller. In 1994, I was
11 employed by Public Service Company of North Carolina, Inc. ("PSNC"), as a
12 Senior Financial Accountant and was promoted to Director – Investor Relations
13 and Financial Projects in 1998. After PSNC was acquired by SCANA
14 Corporation, I was employed by Cox Technologies in 2000 as Controller and
15 Assistant Treasurer. In 2004, I was employed by HSBC Mortgage Corp. as
16 Manager of Regulatory and Investor Reporting. I was employed by Piedmont
17 Natural Gas Company, Inc. ("Piedmont") in 2007 as Manager of Gas
18 Accounting. I was promoted to Director of Gas and Regulatory Accounting in
19 February 2008.

20 **Q. Please describe your responsibilities as Director of Gas and Regulatory**
21 **Accounting.**

22 A. My responsibilities include: recording the cost of gas on Piedmont's books,
23 maintaining a proper match of revenues and cost of gas in Piedmont's income

1 statements, recording Piedmont's margin in accordance with regulatory
2 requirements in each of the three state jurisdictions in which Piedmont
3 operates, verifying volumes and prices on all invoices relating to the purchase
4 and transportation of natural gas, and recording gas inventory accounts and
5 deferred accounts. I am also responsible for the middle office functions related
6 to the experimental hedging program implemented in South Carolina pursuant
7 to Commission Order No. 2002-223 dated March 26, 2002.

8 **Q. Have you previously testified before this Commission or any other**
9 **regulatory authority?**

10 A. Yes. I have previously testified before the Public Service Commission of South
11 Carolina and the North Carolina Utilities Commission on several occasions.

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony in this proceeding is to report to the Commission
14 Piedmont's end-of-period balances in and accounting for its deferred gas costs
15 accounts in order to permit the Commission to determine that Piedmont's true-
16 up procedures for the review period have resulted in a properly stated cost of
17 gas and that Piedmont's gas costs are properly recorded in compliance with
18 Piedmont's Gas Cost Recovery Mechanism and Hedging Plan.

19 **Q. Were there any adjusting accounting entries made to the Deferred**
20 **Account No. 253.04?**

21 A. Yes, there were four adjusting entries related to special items recorded during

1 the test period. The first entry was recorded in July 2010 as a result of a special
2 contract customer and a power generation facility customer not being handled
3 properly in the new commodity true-up and demand true-up methodologies
4 approved in Docket No. 2009-435-G. The dekatherms related to these
5 customers were inadvertently left out of the true-up mechanisms. The result of
6 this adjustment to the deferred account was a decrease of \$1,454,295.33, which
7 included \$24,269.48 in interest. The second adjustment was recorded in
8 January 2011 as a result of the improper classification of costs to the SC
9 jurisdiction related to a pipeline interconnection. The result of this adjustment
10 to the deferred account was a credit to true-up the interest owed to the
11 customers of \$2,254.32. The third adjustment was recorded in March 2011 as a
12 result of incorrect demand therms on a billing system report that is used in
13 calculating cost recoveries. This adjustment resulted in a decrease to the
14 deferred account of \$6,643.80, which included \$518.00 in interest. The fourth
15 adjustment was recorded in April 2011 as a result of a correction to the
16 previous adjustment related to demand therms. The Company improperly
17 recorded the demand therms adjustment for a single customer using the
18 transportation rate instead of the sales rate. This adjustment resulted in a
19 decrease to the deferred account of \$57,043.71, which included interest of
20 \$5,048.91.

1 **Q. Has the Office of Regulatory Staff reviewed Piedmont's accounting for its**
2 **cost of gas for the review period in this proceeding?**

3 A. Yes. The Commission has previously ordered the Company to maintain an
4 account reflecting its gas costs each month, the amount of gas costs recovered
5 each month, and amounts deferred each month. The audit staff of the ORS has
6 conducted a detailed audit and review of the review period activity in that
7 account, as well as the detailed data supporting the accounting entries to that
8 account. A summary of the review period activity in that account is attached
9 hereto as Exhibit__(RLT-1).

10 **Q. Does the Company also maintain a hedging deferred account?**

11 A. Yes. Effective April 1, 2002, Piedmont implemented an experimental natural
12 gas hedging program pursuant to Commission Order No. 2002-223. Pursuant
13 to this program, Piedmont maintains a Hedging Deferred Account in which it
14 records the results of its hedging activities undertaken in accordance with its
15 hedging plan. The audit staff of the Office of Regulatory Staff has also
16 conducted a detailed review of the activity in this account and the detailed
17 accounting data supporting that activity. A summary of the review period
18 activity in Piedmont's Hedging Deferred Account is attached hereto as
19 Exhibit__(RLT-2).

20 **Q. Does this conclude your testimony?**

21 A. Yes.

EXHIBIT__(RLT-1)

Piedmont Natural Gas Co., Inc. - South Carolina
Gas Cost Deferred Account Activity
Annual Prudence Review - Docket No. 2011-4-G
12 Months Ended March 31, 2011
Debits (Credits)

Exhibit_(RLT-1)

Reporting Month ==>	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Totals
Gas Flow Month ==>	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Totals
Beginning Balance	2,596,769.77	2,039,775.46	2,781,517.74	1,966,650.22	1,953,347.30	3,967,126.68	4,897,269.17	6,348,799.53	5,889,453.41	667,774.77	(7,037,899.40)	(9,238,588.87)	
Billed vs. Filed (Commodity) TU	(513,090.84)	(86,693.39)	(295,100.21)	(983,573.42)	(68,119.42)	(428,356.13)	59,720.68	(764,585.02)	(120,532.32)	(221,689.19)	117,995.62	693,424.43	(2,610,609.21)
Demand True-Up	820,162.28	1,306,239.26	1,251,080.10	1,157,380.62	1,275,444.42	1,211,467.57	1,231,267.20	(18,498.46)	(3,366,241.99)	(3,093,101.22)	(1,220,685.02)	(286,138.87)	268,375.89
Negotiated Losses	70,968.39	71,804.86	71,718.95	77,479.51	84,962.52	55,063.34	90,481.55	123,813.86	137,863.44	119,086.46	110,335.80	111,908.52	1,125,457.20
Capacity Release Credits	(927,532.21)	(66,546.38)	(74,012.27)	(66,044.32)	(66,961.08)	(64,699.26)	(59,054.34)	(112,471.42)	(119,721.70)	(129,551.87)	(241,812.32)	(182,099.04)	(2,109,506.21)
SC Portion of Off System Sales Revenue	(2,002,507.90)	(2,501,987.39)	(2,989,714.91)	(2,867,327.42)	(1,934,805.69)	(2,099,252.99)	(1,628,077.28)	(2,406,592.10)	(3,054,064.50)	(5,356,297.74)	(2,274,354.53)	(2,948,230.20)	(32,063,232.64)
SC Portion of Off System Sales Costs	1,950,269.61	2,459,390.08	2,840,588.14	2,739,675.46	1,851,485.14	1,991,940.07	1,618,575.57	2,297,895.66	2,168,736.47	3,069,014.35	1,915,459.10	2,847,149.32	27,750,188.97
WNA (includes adjustment)	171.23	6.91	(751.27)	(166.45)	(54.71)	(16.52)	0.80	370,243.28	(960,137.60)	(2,237,844.17)	(686,907.86)	1,195,025.93	(2,320,430.42)
Supplier Refunds	(214.53)	(77,820.25)	(311.03)	-	(34,951.80)	-	-	(3.40)	-	(100.93)	(38,636.07)	-	(152,038.01)
SC - Uncollectibles	127,035.48	99,621.39	212,429.49	159,341.86	52,122.13	22,646.10	30,899.20	6,839.85	(24,187.81)	(7,259.11)	(4,565.61)	(22,420.36)	652,501.61
Monthly Hedging Transfer	(90,567.36)	(470,194.83)	(383,622.60)	(235,874.81)	846,934.18	29,924.78	291,888.19	26,469.82	108,107.32	162,787.82	156,652.66	95,730.16	538,035.33
Other Adjustments			(1,454,295.33)	-					(2,254.32)	-	(6,643.80)	(57,043.71)	(1,520,237.16)
Ending Balance Before Interest	2,031,463.92	2,773,595.73	1,959,526.80	1,947,541.25	3,959,412.99	4,685,843.64	6,333,769.74	5,871,911.60	657,000.40	(7,027,220.83)	(9,211,061.42)	(7,791,283.69)	
Interest	8,311.54	7,922.01	7,123.42	5,806.05	7,713.69	11,425.53	15,029.79	17,541.81	10,774.37	(10,678.57)	(27,528.45)	(29,106.89)	24,334.30
Ending Balance (Actuals only)	2,039,775.46	2,781,517.74	1,966,650.22	1,953,347.30	3,967,126.68	4,897,269.17	6,348,799.53	5,889,453.41	667,774.77	(7,037,899.40)	(9,238,589.87)	(7,820,390.58)	
Monthly Interest Rate	4.310%	3.950%	3.606%	3.560%	3.131%	3.169%	3.270%	3.445%	3.950%	4.030%	4.066%	4.102%	

EXHIBIT__(RLT-2)

Piedmont Natural Gas Company, Inc. - South Carolina
Hedging Account Activity
Annual Prudence Review - Docket No. 2011-4-G
12 Months Ended March 31, 2011
Debits (Credits)

Exhibit__(RLT-2)

	# of Contracts Executed / Exercised	Beginning Balance	Net Options Premium	Fees 1	Margin Requirement (P&L Cash Act)	Consultant Fees	Proceeds from positions	Fees 2	Interest from brokerage acct.	Other Monthly Fee	Monthly Gain / Loss Transfer
Apr-10	65	\$ -	57,800.00	263.50	(746,177.00)	790.50	596,160.00	744.00	(195.48)	47.12	(90,567.36)
May-10	61	\$ -	27,000.00	139.50	(1,186,504.00)	790.50	687,740.00	806.00	(191.15)	24.32	(470,194.83)
Jun-10	62	\$ -	36,900.00	279.00	(837,715.00)	790.50	415,580.00	682.00	(163.42)	24.32	(383,622.60)
Jul-10	121	\$ -	93,400.00	666.50	(1,013,646.00)	790.50	681,750.00	1,209.00	(69.13)	24.32	(235,874.81)
Aug-10	132	\$ -	166,000.00	1,116.00	(24,157.00)	790.50	702,315.90	930.00	(85.54)	24.32	846,934.18
Sep-10	99	\$ -	64,500.00	449.50	(891,872.00)	790.50	855,000.00	1,085.00	(52.54)	24.32	29,924.78
Oct-10	112	\$ -	289,170.00	1,736.00	-	790.50	-	-	(32.63)	24.32	291,688.19
Nov-10	10	\$ -	25,500.00	155.00	-	790.50	-	-	-	24.32	26,469.82
Dec-10	35	\$ -	106,750.00	542.50	-	790.50	-	-	-	24.32	108,107.32
Jan-11	66	\$ -	160,950.00	1,023.00	-	790.50	-	-	-	24.32	162,787.82
Feb-11	80	\$ -	154,610.00	1,240.00	-	790.50	-	-	-	12.16	156,652.66
Mar-11	96	\$ -	138,310.00	1,224.50	-	-	(44,080.00)	263.50	-	12.16	95,730.16
		Activity Totals	1,320,890.00	8,835.00	(4,700,071.00)	8,995.50	3,894,465.90	5,719.50	(789.89)	290.32	538,035.33